

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF ADDISON	County LENAWEE
Audit Date FEB. 29, 2004	Opinion Date APRIL 23, 2004	Date Accountant Report Submitted to State: JUNE 15, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

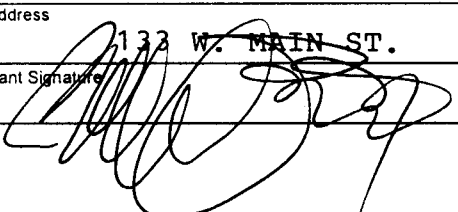
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA			
Street Address 133 W. MAIN ST.		City MORENCI	State MI
Accountant Signature 		ZIP 49256	Date 4/23/04

VILLAGE OF ADDISON
LENAWEE COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FEBRUARY 29, 2004

VILLAGE OF ADDISON

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MEMBERS OF
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April 23, 2004

Honorable Mayor and Members
of the Village Council
Village of Addison
Addison, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the Village of Addison, Addison, Michigan, as of and for the year ended February 29, 2004. These general purpose financial statements are the responsibility of the Village of Addison, Addison, Michigan management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Addison, Addison, Michigan as of February 29, 2004, and the results of its operation and cash flows of its proprietary fund types for the year ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the generally purpose financial statements have taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of Village of Addison, Addison, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented to all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,


Philip R. Rubley, CPA

PRR/cab

VILLAGE OF ADDISON
Combined Balance Sheet
All Fund Types And Account Groups
February 29, 2004

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenues</u>	<u>Debt Service</u>
<u>Assets</u>			
Cash	\$ 22,921	\$74,476	\$ ---
Prepaid Insurance	3,808	---	---
Receivables			
Accounts	722	---	---
Taxes	29,854	---	---
Due From Other Funds	---	3,300	---
Inventories	---	---	---
Restricted Assets:			
Cash	---	---	---
Fixed Assets (Net of Accumulated Depreciation) (Note 2)	---	---	---
Total Assets	<u>\$57,305</u>	<u>\$77,776</u>	<u>\$ ---</u>
<u>Liabilities & Fund Equity</u>			
Liabilities:			
Accounts Payable/Payroll Deductions	\$ 5,888	\$ 1,625	\$ ---
Due to Other Funds	13,300	---	---
Notes and Bonds Payable	---	---	---
Total Liabilities	<u>19,188</u>	<u>1,625</u>	<u>---</u>
Fund Equity			
Investments in General Fixed Assets	---	---	---
Contributed Capital	---	---	---
Retained Earnings:			
Restricted	---	---	---
Unrestricted	---	---	---
Fund Balance	<u>38,117</u>	<u>76,151</u>	<u>---</u>
Total Fund Equity	<u>38,117</u>	<u>76,151</u>	<u>---</u>
Total Liabilities And Fund Equity	<u>\$57,305</u>	<u>\$77,776</u>	<u>\$ ---</u>

The accompanying notes are an integral part of these financial statements.

<u>Proprietary Fund Types</u>		<u>Account Groups</u>	
<u>Enterprise</u>	<u>Internal Service</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum) Only</u>
\$ 185,750	\$20,084	\$ ---	\$ 303,231
---	---	---	3,808
39,465	880	---	41,067
---	---	---	29,854
1,055	10,000	---	14,355
8,722	---	---	8,722
79,020	---	---	79,020
1,045,372	20,948	392,422	1,458,742
<u>\$1,359,384</u>	<u>\$51,912</u>	<u>\$392,422</u>	<u>\$1,938,799</u>
\$ 4,410	\$ 1,327	\$ ---	\$ 13,250
1,055	---	---	14,355
730,500	---	---	730,500
735,965	1,327	---	758,105
---	---	392,422	392,422
33,802	---	---	33,802
---	---	---	---
589,617	50,585	---	640,202
---	---	---	114,268
623,419	50,585	392,422	1,180,694
<u>\$1,359,384</u>	<u>\$51,912</u>	<u>\$392,422</u>	<u>\$1,938,799</u>

VILLAGE OF ADDISON
Combined Statement Of Revenues, Expenditures
And Changes In Fund Balance
All Governmental Fund Types
February 29, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Revenues:</u>			
Property Taxes	\$ 74,083	\$ 24,896	\$ ---
Licenses and Permits	860	---	---
Intergovernmental Revenues	67,319	55,204	---
Charges for Services	1,875	---	---
Miscellaneous	39,679	11,531	---
Interest on Investments	131	460	78
Total Revenues	<u>183,947</u>	<u>92,091</u>	<u>78</u>
<u>Expenditures:</u>			
Current:			
General Government	75,686	---	---
Public Safety	50,570	1,347	---
Highway & Streets	16,421	48,272	---
Sanitation	2,819	---	---
Parks & Recreation	14,844	---	---
Miscellaneous	35,753	---	---
Insurance and Bonds	10,411	---	---
Capital Outlay	---	42,207	---
Debt Service:			
Principal	---	---	16,000
Interest and Other Charges	---	---	1,463
Total Expenditures	<u>206,504</u>	<u>91,826</u>	<u>17,463</u>
<u>Excess Of Revenues Over (Under) Expenditures</u>	(22,557)	265	(17,385)
<u>Other Financing Sources (Uses):</u>			
Transfers In	43,639	333	1,728
Transfers (Out)	---	(24,367)	(333)
Total Other Financing Sources (Uses)	<u>43,639</u>	<u>(24,034)</u>	<u>1,395</u>
<u>Excess Of Revenues And Other Sources Over (Under) Expenditures And Other Sources</u>	21,082	(23,769)	(15,990)
<u>Fund Balances - Beginning Of Year</u>	<u>17,035</u>	<u>99,920</u>	<u>15,990</u>
<u>Fund Balances - End Of Year</u>	<u>\$ 38,117</u>	<u>\$ 76,151</u>	<u>\$ ---</u>

The accompanying notes are an integral part of these financial statements.

Total (Memorandum Only)	
<u>2004</u>	<u>2003</u>
\$ 98,979	\$ 86,649
860	780
122,523	126,924
1,875	1,450
51,210	38,975
<u>669</u>	<u>4,239</u>
<u>276,116</u>	<u>259,017</u>
75,686	69,126
51,917	36,864
64,693	61,725
2,819	2,866
14,844	15,158
35,753	31,373
10,411	7,867
42,207	35,000
16,000	15,000
<u>1,463</u>	<u>2,857</u>
<u>315,793</u>	<u>277,836</u>
(39,677)	(18,819)
45,700	16,000
<u>(24,700)</u>	<u>(16,000)</u>
<u>21,000</u>	<u>---</u>
(18,677)	(18,819)
<u>132,945</u>	<u>151,764</u>
<u>\$114,268</u>	<u>\$132,945</u>

VILLAGE OF ADDISON
Combined Statement Of Revenues, Expenditures And Changes In Fund Balance -
Budget And Actual General And Special Revenue Fund Types
February 29, 2004

	<u>General Funds</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
<u>Revenues:</u>			<u>(Under)</u>
Property Taxes	\$ 73,500	\$ 74,083	\$ 583
Licenses & Permits	500	860	360
Intergovernmental Revenue	60,375	67,319	6,944
Fines & Forfeits	500	---	(500)
Charges for Services	1,300	1,875	575
<u>Miscellaneous</u>			
Interest on Investments	150	131	(19)
Miscellaneous	24,000	39,679	15,679
Total Miscellaneous	24,150	39,810	15,660
Total Revenue	160,325	183,947	23,622
<u>Expenditures:</u>			
Current:			
General Government	72,705	75,686	(2,981)
Public Safety	42,600	50,570	(7,970)
Highway & Streets	17,550	16,421	1,129
Sanitation	2,700	2,819	(119)
Parks & Recreation	14,800	14,844	(44)
Miscellaneous	37,250	35,753	1,497
Insurance & Bonds	13,000	10,411	2,589
Capital Outlay	---	---	---
Debt Services:			
Principal	---	---	---
Interest	---	---	---
Total Expenditures	200,605	206,504	(5,899)
<u>Other Financing Sources (Uses):</u>			
Transfers In	25,280	43,639	18,359
Transfer (Out)	---	---	---
Total Other Financing Sources (Uses)	25,280	43,639	18,359
<u>Excess Of Revenues & Other Sources</u>			
<u>Over (Under) Expenditures & Other</u>	(15,000)	21,082	36,082
<u>Beginning Fund Balance</u>	17,035	17,035	---
<u>Ending Fund Balance</u>	<u>\$ 2,035</u>	<u>\$ 38,117</u>	<u>\$36,082</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
\$ 24,700	\$ 24,896	\$ 196	\$ ---	\$ ---	\$ ---
---	---	---	---	---	---
43,000	55,204	12,204	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
500	460	(40)	150	78	(72)
9,050	11,531	2,481	---	---	---
9,550	11,991	2,441	150	78	(72)
77,250	92,091	14,841	150	78	(72)
---	---	---	---	---	---
20,420	1,347	19,073	---	---	---
104,140	48,272	55,868	---	---	---
800	---	800	---	---	---
---	---	---	2,650	---	2,650
11,500	42,207	(30,707)	---	---	---
---	---	---	16,000	16,000	---
---	---	---	2,400	1,463	937
136,860	91,826	45,034	21,050	17,463	3,587
30,300	333	(29,967)	5,000	1,728	(3,272)
(35,300)	(24,367)	10,933	---	(333)	(333)
(5,000)	(24,034)	(19,034)	5,000	1,395	(3,605)
(64,610)	(23,769)	40,841	(15,900)	(15,990)	90
99,920	99,920	---	15,990	15,990	---
\$ 35,310	\$ 76,151	\$ 40,841	\$ 90	\$ ---	\$ 90

VILLAGE OF ADDISON
Combined Statement Of Revenues, Expenses And Changes
In Retained Earnings/Fund Balance and Contributions
All Proprietary Fund Types
February 29, 2004

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
<u>Operating Revenues:</u>		
Charges for Services	\$106,555	\$ 43,962
Total Operating Revenues	<u>106,555</u>	<u>43,962</u>
<u>Operating Expenses:</u>		
Personal Services & Fringe Benefits	29,131	9,032
Supplies	6,862	9,341
Repairs & Maintenance	---	4,907
Contractual Services	46,580	---
Utilities	8,649	---
Equipment Rental	7,740	---
Miscellaneous	13,710	288
Depreciation	44,414	10,550
Insurance	---	---
Administrative Fees	8,486	3,461
Audit	1,238	---
Training Testing	---	---
Total Operating Expenses	<u>166,810</u>	<u>37,579</u>
Operating Income (Loss)	(60,255)	6,383
<u>Non-Operating Revenues (Expenses):</u>		
Debt Retirement	66,622	---
Interest on Investments	1,980	220
Miscellaneous	360	---
Interest (Expense)	(17,663)	---
Transfers In and (Out)	<u>(1,000)</u>	<u>(20,000)</u>
Total Non-Operating Revenues (Expenses)	<u>50,299</u>	<u>(19,780)</u>
Net Income (Loss)	(9,956)	(13,397)
Retained Earnings/Fund Balance - Beginning Of Year	<u>599,573</u>	<u>63,982</u>
Retained Earnings/Fund Balance - End Of Year	<u>\$589,617</u>	<u>\$ 50,585</u>

The accompanying notes are an integral part of these financial statements.

Total (Memorandum Only)	
<u>2004</u>	<u>2003</u>
<u>\$150,517</u>	<u>\$155,192</u>
<u>150,517</u>	<u>155,192</u>
38,163	35,992
16,203	14,445
4,907	7,522
46,580	34,374
8,649	7,367
7,740	10,077
13,998	1,990
54,964	44,553
---	1,829
11,947	10,066
1,238	1,200
---	1,055
<u>204,389</u>	<u>170,470</u>
(53,872)	(15,278)
66,622	78,042
2,200	2,017
360	12,322
(17,663)	(22,736)
<u>(21,000)</u>	<u>---</u>
<u>30,519</u>	<u>69,645</u>
(23,353)	54,367
<u>663,555</u>	<u>609,188</u>
<u>\$640,202</u>	<u>\$663,555</u>

VILLAGE OF ADDISON
Combined Statement Of Cash Flows
All Proprietary Fund Types
February 29, 2004

	<u>Proprietary Fund Types</u>		<u>Total Memorandum Only 2004</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Operating Activities:</u>			
Operating Income (Loss)	\$ (9,956)	\$ (13,397)	\$ (23,353)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	44,414	10,550	54,964
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	9,378	(880)	8,498
(Increase) Decrease in Due From Other Funds	1,000	---	1,000
(Increase) Decrease in Inventory	(2,268)	---	(2,268)
Increase (Decrease) in Accounts Payable	791	1,282	2,073
Increase (Decrease) in Bonds Payable	10,500	---	10,500
Total Cash Provided By Operating Activities	<u>53,859</u>	<u>(2,445)</u>	<u>51,414</u>
<u>Cash Flows Form Capital And Related Financing Activities:</u>			
Acquisition of Capital Assets	<u>(17,691)</u>	<u>(3,171)</u>	<u>(20,862)</u>
Net Cash Used For Capital And Relate Financing Activities	<u>(17,691)</u>	<u>(3,171)</u>	<u>(20,862)</u>
<u>Financing Sources:</u>			
Bonds Payable	<u>(77,050)</u>	<u>---</u>	<u>(77,050)</u>
Net Cash Used For From Financing Sources	<u>(77,050)</u>	<u>---</u>	<u>(77,050)</u>
<u>Net Increase (Decrease) In Restricted Cash</u>	<u>(40,882)</u>	<u>(5,616)</u>	<u>(46,498)</u>
<u>Cash And Restricted Cash - Beginning Of Year</u>	<u>305,652</u>	<u>25,700</u>	<u>331,352</u>
<u>Cash And Restricted Cash - End Of Year</u>	<u>\$264,770</u>	<u>\$ 20,084</u>	<u>\$ 284,854</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ADDISON
Notes To Financial Statements
February 29, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Addison conform to generally accepted accounting principles as applicable to governmental units.

Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - Internal Service Fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

General Fixed Assets Account Group

The account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

Basis of Accounting

The accrual basis of accounting is followed for the Water, Sewer and Internal Service Funds. The modified accrual basis of accounting is followed for the General Fund and the Special Revenue Funds. Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year in which the liability is incurred.

Property Taxes

Property taxes are accrued in the year in which they are levied. Property taxes attach as an enforceable lien on property on January 1. The Village has \$9,929,961 of taxable assessment. The general fund was 5.2316 mills and street improvement was 3.4944 mills generating a tax roll of \$100,831 for 2003.

VILLAGE OF ADDISON
Notes To Financial Statements
February 29, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

General Fixed Assets and Depreciation

Purchases of general fixed assets for all funds, other than the Water, Sewer and Internal Service Funds, are recorded as expenditures in the respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time received. No depreciation has been provided on these general fixed assets.

Property, plant and equipment, in the Water, Sewer and Internal Service Funds, are stated at cost. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Investments

Investments are stated at cost, which approximates market.

Inventories

Inventory is recorded in the Water Fund at the lower of cost or market, with cost determined on a first-in; first-out (FIFO) basis. All purchases for materials are reflected in expenses when paid in the other funds.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the method of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Village Of Addison - Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Village of Addison (the primary government).

The financial reporting entity consists of (A) the primary government, (B) organizations for which the primary government is financially accountable, and (C) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential

VILLAGE OF ADDISON
Notes To Financial Statements
February 29, 2004

Village Of Addison - Reporting Entity (Continued)

for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are financially dependent on it.

The Village of Addison has not reported the Summer Recreation Fund handled separately outside of the Village (See Comments and Recommendations No. 2)

Note 2 - Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>3/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2/29/04</u>
Land, Buildings & Equipment	\$391,922	\$ 500	\$ ---	\$392,422

A summary of proprietary fund type property, plant and equipment at February 29, 2004, follows:

	<u>Enterprise</u> <u>Internal</u> <u>Service</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Plant, Property & Equipment	\$ 147,420	\$1,493,478	\$ 336,152	\$1,977,050
Less Accumulated Depreciation	(126,472)	(584,294)	(199,964)	(910,730)
Net	\$ 20,948	\$ 909,184	\$ 136,188	\$1,066,320

Note 3 - Long-Term Debt

The following is a summary of the long-term debt transactions of the Village for the year ended February 29, 2004:

	<u>Balance</u> <u>3/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2/29/04</u>
Michigan Transportation Fund Bonds	\$16,000	\$ ---	\$ 16,000	\$ ---
	\$16,000	\$ ---	\$ 16,000	\$ ---

VILLAGE OF ADDISON
Notes To Financial Statements
February 29, 2004

Note 4 - Investments & Cash

Investments made by the Village are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1: Insured or registered, or securities held by the Village or its agent in the Village name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village name.

	Category			Carrying Value	Market Value
	1	2	3		
Checking & Saving Acct.	\$303,231	\$ ---	\$ ---	\$303,231	\$303,231
	<u>\$303,231</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$303,231</u>	<u>\$303,231</u>

Note: Cash balances exceed FDIC insurance amounts. All monies are on deposit with one financial institution as of February 29, 2004.

Statutory Authority

Act 217, PA 1982, authorizes the Village to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105 PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard ratings services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States government or Federal agency obligation repurchase agreements
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The Village's investments are in accordance with statutory authority.

Note 5 - Total - Memorandum Only

The general purpose financial statements present total columns for the year ended February 29, 2004, which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

Note 6 - Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statement unduly complex to read.

VILLAGE OF ADDISON
Notes To Financial Statements
February 29, 2004

Note 7 - Bond Payable - Rollin - Woodstock Drain Improvement

Bonds issued by Lenawee County for Rollin - Woodstock Sanitary Drain, 5184-01.

Bonds are obligated by three municipalities as follows:

Village of Addison	15%
Township of Rollin	61%
Township of Woodstock	24%

Total refinanced bond issue: \$5,080,000

Interest rate: variable

Principle payment due: October 1st each year

Interest payment made semi-annual: October 1st and April 1st.

Amount of Issue: Village of Addison \$762,000

Bonds payable - February 28, 2003	\$762,000
-----------------------------------	-----------

(Less) Payment made during fiscal year	<u>(31,500)</u>
----------------------------------------	-----------------

Balance at February 29, 2004	<u>\$730,500</u>
------------------------------	------------------

Principal payments over next five years are as follows:

October 1, 2004	\$32,250
October 1, 2005	33,750
October 1, 2006	34,500
October 1, 2007	32,250
October 1, 2008	36,000

Note 8 - Interfund Receivable and Payable

The amount of interfund receivables and payables as of February 29, 2004 are summarized as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Internal Service Fund	\$10,000	General Fund	\$13,300
Parks & Recreation Fund	3,300	Water Fund	1,055
Sewer Fund	<u>1,055</u>		<u>---</u>
	<u>\$14,355</u>		<u>\$14,355</u>

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

VILLAGE OF ADDISON
Combining Balance Sheet
All Special Revenue Funds
February 29, 2004

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Fire Improvement Fund</u>
<u>Assets</u>			
Cash	\$20,313	\$37,810	\$11,704
Due from Other Funds	<u>---</u>	<u>---</u>	<u>---</u>
Total Assets	<u>\$20,313</u>	<u>\$37,810</u>	<u>\$11,704</u>
<u>Liabilities And Fund Balance</u>			
Liabilities:			
Due to Other Funds	\$ ---	\$ ---	\$ ---
Accounts Payable and Accrued Expenses	<u>1,398</u>	<u>227</u>	<u>---</u>
Total Liabilities	<u>1,398</u>	<u>227</u>	<u>---</u>
Fund Balances:			
Unreserved - Undesignated	<u>18,915</u>	<u>37,583</u>	<u>11,704</u>
Total Liabilities And Fund Balances	<u>\$20,313</u>	<u>\$37,810</u>	<u>\$11,704</u>

The accompanying notes are an integral part of these financial statements.

Park Improvement Fund	2004	Totals 2003
\$4,649	\$74,476	\$96,620
<u>3,300</u>	<u>3,300</u>	<u>3,300</u>
<u>\$7,949</u>	<u>\$77,776</u>	<u>\$99,920</u>
\$ ---	\$ ---	\$ ---
<u>---</u>	<u>1,625</u>	<u>---</u>
<u>---</u>	<u>1,625</u>	<u>---</u>
<u>7,949</u>	<u>76,151</u>	<u>99,920</u>
<u>\$7,949</u>	<u>\$77,776</u>	<u>\$99,920</u>

VILLAGE OF ADDISON
Combining Statement Of Revenues, Expenditures
And Changes In Fund Balance
All Special Revenue Funds
February 29, 2004

	Major Street Fund	Local Street Fund	Fire Improvement Fund
Revenues:			
Property Taxes	\$ ---	\$ 24,896	\$ ---
Intergovernmental Revenues	43,203	12,001	---
Interest Income	---	308	152
Miscellaneous/Rent/Contributions	---	---	9,006
Total Revenues	<u>43,203</u>	<u>37,205</u>	<u>9,158</u>
Expenditures:			
Administrative Charges	3,461	3,461	---
Fire Protection:			
Repairs and Maintenance	---	---	---
Other Expenses	---	---	---
Capital Outlay	---	---	---
Department of Public Works:			
Wages - Maintenance	5,731	3,767	---
Wages - Snow and Ice	4,081	2,366	---
Fringe Benefits	1,039	648	---
Electrical Signal	173	---	---
Repairs and Maintenance	6,907	3,139	1,347
Equipment Rental	8,529	4,970	---
Capital Outlay	34,157	7,550	---
Recreation and Parks:			
Capital Improvements	---	---	---
Miscellaneous	---	---	---
Total Expenditures	<u>64,078</u>	<u>25,901</u>	<u>1,347</u>
Excess Of Revenues Over (Under) Expenditures	(20,875)	11,304	7,811
Other Financing Sources (Uses):			
Operating Transfers In	---	333	---
Operating Transfers (Out)	---	(1,728)	(22,639)
Total Other Financing Sources (Uses)	---	(1,395)	(22,639)
Excess Of Revenues And Other Sources Over (Under) Expenditures	(20,875)	9,909	(14,828)
Fund Balance - Beginning Of Year	<u>39,790</u>	<u>27,674</u>	<u>26,532</u>
Fund Balance - End Of Year	<u>\$18,915</u>	<u>\$ 37,583</u>	<u>\$11,704</u>

The accompany notes are an integral part of these financial statements.

Park Improvement Fund	Totals 2004	2003
\$ ---	\$ 24,896	\$ 34,699
---	55,204	52,916
---	460	759
<u>2,525</u>	<u>11,531</u>	<u>12,409</u>
<u>2,525</u>	<u>92,091</u>	<u>100,783</u>
---	6,922	6,922
---	---	320
---	---	1
---	---	---
---	9,498	6,458
---	6,447	5,050
---	1,687	1,139
---	173	173
---	11,393	17,478
---	13,499	9,053
500	42,207	33,250
---	---	---
---	---	---
<u>500</u>	<u>91,826</u>	<u>79,844</u>
2,025	265	20,939
---	333	---
<u>---</u>	<u>(24,367)</u>	<u>(16,000)</u>
<u>---</u>	<u>(24,034)</u>	<u>(16,000)</u>
2,025	(23,769)	4,939
<u>5,924</u>	<u>99,920</u>	<u>94,981</u>
<u>\$7,949</u>	<u>\$ 76,151</u>	<u>\$ 99,920</u>

VILLAGE OF ADDISON
Combining Balance Sheet
Water And Sewer Fund
February 29, 2004

<u>Assets</u>		
Current Assets:	<u>Sewer Fund</u>	<u>Water Fund</u>
Cash in Bank - Demand Deposits	\$ 19	\$ 660
Cash in Bank - Savings Deposits/Money Markets	182,814	2,257
Accounts Receivable	16,181	23,284
Special Assessment Receivable	---	---
Due From Water Fund	1,055	---
Inventory	---	8,722
Total Current Assets	<u>200,069</u>	<u>34,923</u>
Restricted Assets:		
Debt Retirement - Savings	28,639	---
Replacement - Demand Deposits	---	16
Replacement - Savings Deposits	---	50,365
Total Restricted Assets	<u>28,639</u>	<u>50,381</u>
Property, Plant And Equipment:		
Sewer System	1,493,478	---
Water System	---	277,004
Machinery and Equipment	---	59,148
(Less:) Accumulated Depreciation	1,493,478 (584,294)	336,152 (199,964)
Net Book Value, Property, Plant And Equipment	<u>909,184</u>	<u>136,188</u>
Total Assets	<u>\$1,137,892</u>	<u>\$ 221,492</u>
<u>Liabilities And Retained Earnings</u>		
Current Liabilities:		
Due To Sewer Fund	\$ ---	\$ 1,055
Accounts Payable/Accrued Expenses	3,504	906
Current Portion - Bonds Payable	32,250	---
Total Current Liabilities	<u>35,754</u>	<u>1,961</u>
Long-Term Debt:		
Bonds Payable - R/W Drain Improvement	<u>698,250</u>	<u>---</u>
Total Long-Term Debt	<u>698,250</u>	<u>---</u>
Retained Earnings:		
Contributed Capital	---	33,802
Unreserved	403,888	185,729
Total Retained Earnings	<u>403,888</u>	<u>219,531</u>
Total Liabilities And Retained Earnings	<u>\$1,137,892</u>	<u>\$ 221,492</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>2004</u>	<u>2003</u>
\$ 679	\$ 71
185,071	45,353
39,465	38,609
---	10,234
1,055	1,000
8,722	6,454
<u>234,992</u>	<u>101,721</u>
28,639	161,687
16	16
<u>50,365</u>	<u>98,525</u>
<u>79,020</u>	<u>260,228</u>
1,493,478	1,528,528
277,004	224,263
<u>59,148</u>	<u>59,148</u>
1,829,630	1,811,939
(784,258)	(739,844)
<u>1,045,372</u>	<u>1,072,095</u>
<u>\$1,359,384</u>	<u>\$1,434,044</u>
\$ 1,055	\$ ---
4,410	3,619
<u>32,250</u>	<u>21,750</u>
<u>37,715</u>	<u>25,369</u>
698,250	775,300
<u>698,250</u>	<u>775,300</u>
33,802	33,802
<u>589,617</u>	<u>599,573</u>
<u>623,419</u>	<u>633,375</u>
<u>\$1,359,384</u>	<u>\$1,434,044</u>

VILLAGE OF ADDISON
Combining Statement Of Revenues, Expenditures
And Changes In Retained Earnings And Contributions
Water And Sewer Funds
February 29, 2004

	<u>Sewer Fund</u>	<u>Water Fund</u>
<u>Operating Revenues:</u>		
Sewer	\$ 41,424	\$ ---
Water	---	65,131
Total Operating Revenues	<u>41,424</u>	<u>65,131</u>
<u>Operating Expenses:</u>		
Personal Services and Fringe Benefits	---	29,131
Supplies	1,349	5,513
Repairs and Maintenance	---	---
Contractual Services	46,580	---
Utilities	986	7,663
Equipment Rental	---	7,740
Insurance	---	---
Miscellaneous	---	13,710
Depreciation	37,338	7,076
Administrative Fees	1,604	6,882
Audit	619	619
Training Testing	---	---
Total Operating Expenses	<u>88,476</u>	<u>78,334</u>
Operating (Loss)	(47,052)	(13,203)
<u>Non-Operating Income and (Expense):</u>		
Debt Retirement	66,622	---
Interest on Investments	972	1,008
Miscellaneous Income	---	360
Interest (Expense)	(17,663)	---
Transfers In and (Out)	---	(1,000)
Net Non-Operating Income & (Expenses)	<u>49,931</u>	<u>368</u>
Net Income (Loss)	2,879	(12,835)
<u>Retained Earnings - Beginning of Year</u>	<u>401,009</u>	<u>198,564</u>
<u>Retained Earnings - End Of Year</u>	<u>\$403,888</u>	<u>\$185,729</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>2004</u>	<u>2003</u>
\$ 41,424	\$ 46,886
<u>65,131</u>	<u>72,734</u>
<u>106,555</u>	<u>119,620</u>
29,131	27,697
6,862	7,676
---	1,521
46,580	34,374
8,649	7,367
7,740	10,077
---	1,829
13,710	1,824
44,414	34,878
8,486	6,605
1,238	1,200
<u>---</u>	<u>1,055</u>
<u>166,810</u>	<u>136,103</u>
(60,255)	(16,483)
66,622	78,042
1,980	1,743
360	8,589
(17,663)	(22,736)
<u>(1,000)</u>	<u>---</u>
<u>50,299</u>	<u>65,638</u>
(9,956)	49,155
<u>599,573</u>	<u>550,418</u>
<u>\$589,617</u>	<u>\$599,573</u>

VILLAGE OF ADDISON
Combining Statement of Cash Flows
Water and Sewer Funds
February 29, 2004

	<u>Sewer Fund</u>	<u>Water Fund</u>
<u>Operating Activities:</u>		
Operating Income (Loss)	\$ 2,879	\$(12,835)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	37,338	7,076
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(351)	9,729
(Increase) Decrease in Due from Other Funds	(1,055)	2,055
(Increase) Decrease in Inventory	---	(2,268)
Increase (Decrease) in Accounts Payable	486	305
Increase (Decrease) in Bonds Payable	10,500	---
Total Cash Provided By Operating Activities	<u>49,797</u>	<u>4,062</u>
<u>Cash Flows From Capital Fund Related Financing Activities:</u>		
Acquisition of Capital Assets	<u>35,050</u>	<u>(52,741)</u>
Net Cash Used For Capital And Related Financing Activities	<u>35,050</u>	<u>(52,741)</u>
<u>Financing Sources:</u>		
Bonds Payable	<u>(77,050)</u>	<u>---</u>
<u>Net Increase (Decrease) In Restricted Cash</u>	<u>7,797</u>	<u>(48,679)</u>
<u>Cash And Restricted Cash - Beginning Of Year</u>	<u>203,675</u>	<u>101,977</u>
<u>Cash And Restricted Cash - End Of Year</u>	<u>\$ 211,472</u>	<u>\$ 53,298</u>

The accompanying notes are an integral part of these financial statements.

<u>Totals</u>	
<u>2004</u>	<u>2003</u>
\$ (9,956)	\$ 49,155
44,414	34,878
9,378	(10,887)
1,000	---
(2,268)	1,741
791	758
<u>10,500</u>	<u>21,750</u>
<u>53,859</u>	<u>97,395</u>
<u>(17,691)</u>	<u>(818,270)</u>
<u>(17,691)</u>	<u>(818,270)</u>
<u>(77,050)</u>	<u>775,300</u>
(40,882)	54,425
<u>305,652</u>	<u>251,227</u>
<u>\$ 264,770</u>	<u>\$ 305,652</u>

VILLAGE OF ADDISON
Comparative Balance Sheets
Internal Service Fund
February 29, 2004

	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Current Assets:		
Cash in Bank:		
Demand Deposits	\$ 888	\$ 1,348
Savings Deposits	19,196	24,352
Due From General	10,000	10,000
Equipment Rental Receivable	880	---
Total Current Assets	<u>30,964</u>	<u>35,700</u>
Property and Equipment:		
Building	11,813	11,813
Machinery and Equipment	135,607	132,437
	147,420	144,250
(Less:) Accumulated Depreciation	<u>(126,472)</u>	<u>(115,923)</u>
Net Book Value	<u>20,948</u>	<u>28,327</u>
	<u>\$ 51,912</u>	<u>\$ 64,027</u>
<u>Liabilities and Fund Equity</u>		
Current Liabilities:		
Accounts Payable	\$ 1,106	\$ 45
Accrued Expenses	221	---
Total Current Liabilities	<u>1,327</u>	<u>45</u>
Fund Equity:		
Retained Earnings	<u>50,585</u>	<u>63,982</u>
	<u>\$ 51,912</u>	<u>\$ 64,027</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ADDISON
Comparative Statement of Revenues, Expenses
And Changes in Retained Earnings
Internal Service Fund
February 29, 2004

	<u>2004</u>	<u>2003</u>
<u>Revenues:</u>		
Charges for Services	\$ 43,962	\$35,572
Total Revenues	<u>43,962</u>	<u>35,582</u>
<u>Expenditures:</u>		
Administrative Charge	3,461	3,461
Wages - Maintenance	8,205	7,518
Benefits	827	777
Repairs and Maintenance	4,907	6,001
Gas and Oil	9,341	6,769
Miscellaneous	288	166
Depreciation	<u>10,550</u>	<u>9,675</u>
Total Expenditures	<u>37,579</u>	<u>34,367</u>
<u>Operating Income</u>	6,383	1,205
<u>Non-Operating Revenue (Expense):</u>		
Interest on Investments	220	274
Miscellaneous	---	3,733
Transfers In and (Out)	<u>(20,000)</u>	<u>---</u>
Net Non-Operating Revenue	<u>(19,780)</u>	<u>4,007</u>
<u>Net Income (Loss)</u>	(13,397)	5,212
<u>Retained Earnings - Beginning Of Year</u>	<u>63,982</u>	<u>58,770</u>
<u>Retained Earnings - End Of Year</u>	<u>\$ 50,585</u>	<u>\$63,982</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ADDISON
Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget and Actual
Major Street Fund
February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues:</u>			
Weight and Gas Tax	\$ 35,000	\$43,203	\$ 8,203
Total Revenue	<u>35,000</u>	<u>43,203</u>	<u>8,203</u>
<u>Expenditures:</u>			
Administrative Charge	4,000	3,461	539
Department of Public Works:			
Wages - Maintenance	8,400	5,731	2,669
Wages - Snow and Ice	5,000	4,081	919
Fringe Benefits	2,275	1,039	1,236
Electrical Signal	180	173	7
Repairs and Maintenance	25,000	6,907	18,093
Equipment Rental	8,000	8,529	(529)
Miscellaneous	11,935	---	(11,935)
Capital Outlay	<u>10,000</u>	<u>34,157</u>	<u>(24,157)</u>
Total Expenditures	<u>74,790</u>	<u>64,078</u>	<u>10,712</u>
<u>Excess Of Revenues Over (Under) Expenditures</u>	<u>(39,790)</u>	<u>(20,875)</u>	<u>18,915</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	---	---	---
Transfers Out	---	---	---
Total Other Financing Sources (Uses)	<u>---</u>	<u>---</u>	<u>---</u>
<u>Excess Of Revenues and Other Sources Over (Under) Expenditures And Other Uses</u>	<u>(39,790)</u>	<u>(20,875)</u>	<u>18,915</u>
<u>Beginning Fund Balance</u>	<u>39,790</u>	<u>39,790</u>	<u>---</u>
<u>Ending Fund Balance</u>	<u>\$ ---</u>	<u>\$18,915</u>	<u>\$ 18,915</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ADDISON
Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget and Actual
Local Street Fund
February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues:</u>			
Weight and Gas Tax	\$ 8,000	\$12,001	\$ 4,001
Interest Income	300	308	8
Property Taxes	<u>24,700</u>	<u>24,896</u>	<u>196</u>
Total Revenues	<u>33,000</u>	<u>37,205</u>	<u>4,205</u>
<u>Expenditures:</u>			
Administrative Charge	4,000	3,461	539
Department of Public Works:			
Wages - Maintenance	4,750	3,767	983
Wages - Snow and Ice	3,200	2,366	834
Fringe Benefits	1,300	648	652
Repairs and Maintenance	15,000	3,139	11,861
Equipment Rental	6,000	4,970	1,030
Miscellaneous	5,100	---	5,100
Capital Outlay	---	<u>7,550</u>	<u>(7,550)</u>
Total Expenditures	<u>39,350</u>	<u>25,901</u>	<u>13,449</u>
<u>Excess Of Revenues Over (Under) Expenditures</u>	<u>(6,350)</u>	<u>11,304</u>	<u>17,654</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	30,300	333	(29,967)
Transfers (Out)	<u>(35,300)</u>	<u>(1,728)</u>	<u>33,572</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(1,395)</u>	<u>(3,605)</u>
<u>Excess Of Revenues and Other Sources Over (Under) Expenditures And Other Uses</u>	<u>(11,350)</u>	<u>9,909</u>	<u>21,259</u>
<u>Beginning Fund Balance</u>	<u>27,674</u>	<u>27,674</u>	<u>---</u>
<u>Ending Fund Balance</u>	<u>\$ 16,324</u>	<u>\$37,583</u>	<u>\$ 21,259</u>

The accompany notes are an integral part of these financial statements.

VILLAGE OF ADDISON
Statement of Revenues, Expenditures and Changes In
Fund Balance - Budget and Actual
Fire Improvement Fund
February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues:</u>			
Rental Income	\$ 9,000	\$ 9,000	\$ ---
Interest Income	200	152	(48)
Other	---	6	6
Total Revenues	<u>9,200</u>	<u>9,158</u>	<u>(42)</u>
<u>Expenditures:</u>			
Repairs and Maintenance	250	1,347	(1,097)
Other Expenses	14,170	---	14,170
Capital Outlay	6,000	---	6,000
Total Expenditures	<u>20,420</u>	<u>1,347</u>	<u>19,073</u>
<u>Excess Of Revenues Over (Under) Expenditures</u>	<u>(11,220)</u>	<u>7,811</u>	<u>19,031</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	---	---	---
Operating Transfers (Out)	---	(22,639)	(22,639)
Total Other Financing Sources (Uses)	<u>---</u>	<u>(22,639)</u>	<u>(22,639)</u>
<u>Excess Of Revenues and Other Sources Over (Under) Expenditures And Other Uses</u>	<u>(11,220)</u>	<u>(14,828)</u>	<u>(3,608)</u>
<u>Fund Balance - Beginning Of Year</u>	<u>26,532</u>	<u>26,532</u>	<u>---</u>
<u>Fund Balance - End Of Year</u>	<u>\$15,312</u>	<u>\$ 11,704</u>	<u>\$ (3,608)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ADDISON
Statement Of Revenues, Expenditures And Changes In
Fund Balances - Budget And Actual
Park Improvement Fund
February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over Under)</u>
<u>Revenues:</u>			
Contributions	\$ 50	\$2,525	\$2,475
Total Revenues	<u>50</u>	<u>2,525</u>	<u>2,475</u>
<u>Expenditures:</u>			
Recreation Expenses	800	---	800
Capital Outlay	<u>1,500</u>	<u>500</u>	<u>1,000</u>
Total Expenditures	<u>2,300</u>	<u>500</u>	<u>1,800</u>
<u>Excess Of Revenues Over (Under) Expenditures</u>	(2,250)	2,025	4,275
<u>Other Financing Sources:</u>			
Operating Transfers (Out)	---	---	---
Operating Transfers In	<u>---</u>	<u>---</u>	<u>---</u>
Total Other Financing Sources	<u>---</u>	<u>---</u>	<u>---</u>
<u>Excess Revenue And Other Sources Over (Under) Expenditures And Other Uses</u>	(2,250)	2,025	4,275
<u>Beginning Fund Balance</u>	<u>5,924</u>	<u>5,924</u>	<u>---</u>
<u>Ending Fund Balance</u>	<u>\$3,674</u>	<u>\$7,949</u>	<u>\$4,275</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ADDISON
Schedule OF Expenditures By Detailed Account
General Fund
February 29, 2004

Village Council:

Wages	\$ 4,380
Legal Fees	941
Memberships and Dues	1,531
Miscellaneous	34
	<u>6,886</u>

Elections:

Salaries	378
Supplies	112
Printing and Publishing	397
	<u>887</u>

Audit

	<u>1,238</u>
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Clerk:

Wages	10,300
Deputy	200
Printing and Publishing	685
Supplies	286
	<u>11,471</u>

Sewer And Water Bookkeeping:

Salary	3,209
Office Supplies	2,699
	<u>5,908</u>

Treasurer:

Wages	7,005
Deputy	200
Office Supplies	311
Printing & Publishing	150
	<u>7,666</u>

Building And Grounds:

Salaries	9,223
Supplies	16,906
Telephone	971
Electric	148
Heat	1,008
Water	427
Repairs and Maintenance	2,589
	<u>31,272</u>

Cemetery:

Salaries	4,809
Repairs and Maintenance	5,549
	<u>10,358</u>

Police Protection:

Salaries	<u>31,985</u>
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VILLAGE OF ADDISON
Schedule Of Expenditures By Detailed Account
General Fund
February 29, 2004

Fire Prevention:

Contracted Services	\$ 17,315
Hydrant Rental	360
	17,675

Building Inspector:

Permits	910
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Department Of Public Works:

Salaries	2,045
Supplies	2,346
Electric	771
Heat	1,342
Water	353
	6,857

Street Lights:

Utilities	9,564
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Sanitation:

Contracted Services	2,819
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Parks And Recreation:

Salaries	4,262
Supplies	2,170
Electric	568
Water	718
Repairs and Maintenance	7,126
	14,844

Promotion/Community

	5,602
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Fringe Benefits

	24,765
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Insurance And Bonds

	10,411
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Miscellaneous

	5,386
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Total Expenditures

	\$206,504
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The accompanying notes are an integral part of these financial statements.

PHILIP R. RUBLEY

- Certified Public Accountant -

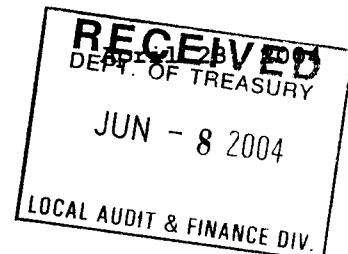
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MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s



Village Board
Village of Addison
Lenawee County, Michigan

We have examined the combined financial statements of the Village of Addison, Lenawee County, Michigan and the combining, individual fund and account group financial statements of the Village as of and for the year ended February 29, 2004, and have issued our report thereon dated April 23, 2004. As a part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgements required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the Village's system of internal accounting control for the year ended February 29, 2004, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed the following conditions:

1. UNIFORM CHART OF ACCOUNTS

Although compliance is basically maintained there are funds which should be using the uniform account numbers. Below are the funds that need to be in compliance:

A. Fire Improvement Fund

1. This is a special revenue fund.
2. Fund number should be 206.
3. For your existing chart of accounts use the following numbers:

Cash	206-000-001
Savings	206-000-002
Fund Balance	206-000-390
Rental Income	206-000-665
Interest Income	206-000-664
Miscellaneous Income	206-000-677
Repairs & Maintenance	206-336-930
Service Charges	206-336-955
Transfer To General Fund	206-336-999
Capital Outlay	206-336-970

B. Parks & Recreation Fund

1. This is a special revenue fund.
2. Fund number should be 208.
3. For your existing chart of accounts use the following numbers:

Cash	208-000-001
Due From General Fund	208-000-084
Fund Balance	208-000-390
Capital Outlay	208-751-970
Donations	208-000-671

The Village should purchase the new chart of accounts from the State of Michigan.

2. SUMMER RECREATION FUND/ACCOUNT

The Summer Recreation Fund/Account should be included in the financial statements and audited. Even though the account is being handled outside of the Village's accounting system it is still under the Village's legal entity. This is the third year on this comment.

3. GOVERNMENTAL ACCOUNTING STANDARD BOARD STATEMENT NO. 34 - BASIC FINANCIAL STATEMENTS - AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Effective June 15, 2001 the Governmental Accounting Standard Board pronouncement 34 was set in motion. This changes many items in the reporting model. There are six major differences between the current model and statement 34.

1. Key definitions for governmental reporting. The objective here is to enhance the understandability and usefulness of the general-purpose external financial reports to users. This will require government - wide financial statements along with fund financial statements.
2. Letter of Transmittal and Management Discussion and Analysis. The objective is for management to outline basic information, provide subjective analysis of projects and initiatives, describe service efforts and accomplishments and include descriptions of reporting requirements and acknowledgments.
3. Combined financial statements and government - wide reporting.
4. Infrastructure accounting and reporting.
5. Measurement focus and basis of accounting. The objective - full accrual accounting vs. modified accrual basis for government - wide statements. Fund statements will still be on accrual and modified accrual.
6. Revisions to Fund Financial Statements.

Effective date for the Village of Addison will be years beginning after June 15, 2003. It will be necessary to start by the end of next fiscal year February 29, 2004 to comply for fiscal year February 28, 2005.

4. DOCUMENTATION

We would recommend that the Village purchase a rubber stamp which would contain the following information, so that invoices could be marked to avoid duplicate payment and properly show approval and account number classification:

Date Paid _____
Approved By _____
A/C/ Number _____

5. CAPITALIZATION POLICY

The Village should formally adopt a capitalization policy to account for fixed assets (infrastructure) required for compliance with GASB No. 34.

6. CUT OFF OF REVENUE/EXPENDITURES

At year end all revenue and expenditures should be posted and entered into the accounting records up thru year end of February 28, do not cut off early.

7. AUTOMATION OF ACCOUNTING SYSTEM

The Village should consider automating their accounting system.

8. PAYROLL & PAYROLL REPORTING DOCUMENTS

It is imperative that the W-3's, W-2's, etc. be tied out with the payroll records and general ledger annually.

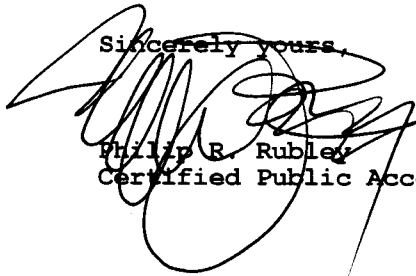
9. FIRE IMPROVEMENT FUND & PARKS & RECREATION FUND

All activity should be posted into the receipts and disbursements journals and general ledger.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated April 23, 2004, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Sincerely yours,


Philip R. Rubley
Certified Public Accountant

PRR/cab